

5 May 1952

MEMORANDUM TO: MR. ALLEN W. DULLES  
Deputy Director  
Central Intelligence Agency

This will acknowledge receipt of your memorandum of 30 April 1952, with which you enclosed a copy of a letter dated 21 April 1952 to you from Frank R. Barnett.

We will be glad to consider the matter and suggest such action as may be appropriate when the time comes.

G. Tracy Barnes  
Deputy Director

**SECRET**

SECURITY INFORMATION

Rec'd 12:25 PM  
4/23/52 JSE/c  
2-8340

April 23, 1952

MEMORANDUM FOR: General Walter B. Smith  
Director of Central Intelligence

SUBJECT: Panel on Psychological Aspects of  
East-West Trade

At a PSB luncheon meeting in December, Gordon Gray discussed with the Board members the psychological problems arising out of Soviet strategy in East-West trade. The Board members agreed that it was appropriate for PSB to establish a panel to consider means to make ineffectual East-West trade propaganda in the Soviet Peace Campaign and to nullify in advance actions which might emerge from the Moscow Economic Conference.

The PSB staff prepared a draft plan which recommended an organized, concerted, and well-publicized offer by the Western European Governments to the captive Eastern European Governments of a specific list of non-strategic consumer goods and textile and agricultural machinery which the captive Eastern European people are known to want.

Since Mr. Harriman is responsible for the administration of the Battle Act which is concerned with strategic export controls to the Soviet Bloc, the PSB staff, prior to forming a panel, arranged with him to obtain the advice of his Mutual Trade Security Advisory Committee under the Chairmanship of Admiral Marcy Dupre. The Advisory Committee established an ad hoc committee under the chairmanship of the Department of Commerce representative to prepare a list of those non-strategic commodities known to be in short supply in Eastern Europe which are available in Western Europe and which are subject to no security export controls. The study resulted in a list of approximately 400 non-strategic commodities in the consumer goods, light textile and farm equipment category, valued at between \$300 and \$400 million which could be offered to Eastern Europe to increase peaceful trade, if in fact Soviet policy would permit the captive Eastern European Governments to import such non-strategic goods.

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At this point, a PSB panel was formed to consider the proposal developed by the PSB staff and to appraise the list of goods to be included in the counter trade offer. After two meetings of the panel, it was apparent that there was not full agreement among the various agencies. Considerable emphasis was placed on the domestic political difficulties inherent in a psychological counter-attack in the East-West trade field. The Battle Act, and before that the Kem Amendment, indicated a strong Congressional sentiment in opposition to any strategic East-West trade, and there has always been considerable controversy as to where the line between strategic and non-strategic goods should be drawn. Some Congressmen have maintained that during the Korean conflict any trade with the Soviet Bloc, since it is supporting Communist China, is tantamount to trading with the enemy. The State Department felt that its negotiating position with other governments on behalf of our security control program might be prejudiced if on the one hand we were pushing for greater security controls over strategic goods and on the other hand we were advocating a propaganda counter-attack in the area of non-strategic trade, based particularly on the above sentiment emphasizing the difficulty of making any practical distinction between kinds of goods.

In an effort to obtain further guidance, the State Department agreed to send a telegram to some of the Embassies both in Eastern and Western Europe, stating their opposition to the PSB staff plan, but at the same time outlining the plan and asking for Embassy comment. The Embassies' comments generally opposed utilization of the PSB staff plan as a response to the Moscow Economic Conference, but most of the Embassies supported the idea of the plan and stressed the need for developing some program to counter Soviet psychological action in the East-West trade field. Moscow, London and Paris all emphasized the need for extensive publicity of the areas of trade left open under current Western policies and agreed that it was desirable to reiterate past and present readiness of the West to engage in peaceful trade with the East which could involve hundreds of millions of dollars worth of goods and hold back only goods useful to the Soviet war machine. As a result of the cables from the various United States Embassies, it was decided not to use the PSB staff plan to counter the Moscow Economic Conference.

The Conference has now been held and there are indications that East-West trade is now considered a major weapon in Soviet psychological strategy. Some observers believe that the speech at the Conference made by N. V. Nesterov, President of the USSR Chamber of Commerce, indicated an important shift in Soviet policy, which in the past has always stressed self-sufficiency and relative economic isolation from the rest of the world.

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- 3 -

PBS is still faced with the problem of whether or not any positive action can be taken against Soviet psychological strategy in the trade field. As a result of an informal poll of the panel members, it appears that some members feel rather strongly that the panel should be continued and should be advised to explore every possible means of taking offensive action. On the other hand, the Department of State representatives feel that there is not much possible positive psychological activity in this field which would be consistent and compatible with our trade security negotiations. For this and other reasons, the State Department would be willing to have the panel disbanded.

The PBS staff feels that despite the difficulties inherent in this problem, it would be desirable to keep the panel in existence at least to make a thorough study of the impact of Soviet strategy in the trade field and an inventory of all possible counter measures, particularly in the covert area. Mr. Harriman's representative has recommended that consideration should be given to the desirability of the United States adopting a bona fide trade policy which calls for the promotion of East-West trade in non-strategic items. Since this view is supported by the comments of several of the United States Embassies, it would appear to be valuable for the panel to consider measures to carry out this recommendation.

The Director asked me to say that he would appreciate your comments and advice on this matter at the Thursday luncheon this week.

C. Tracy Barnes  
Acting Director

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SECURITY INFORMATION

6 May 1952

MEMORANDUM FOR DEPUTY DIRECTOR, CENTRAL INTELLIGENCE

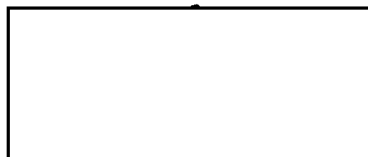
SUBJECT: PSB Planning Panel 1 (SEA)

1. To apprise you of work in progress, I am giving you this report in summary form:

a. State Department and CIA have submitted full draft papers. Defense Department and MSA will have theirs in on 7 May. Papers will be melded and discussed on 14 May by alternates.

b. The method of coordinating and monitoring any approved plans in SEA during the cold war will, of course, be subject to much debate. As a basis of discussion only, PSB Staff have suggested consideration of:

- (1) Director, PSB, to set up a monitoring and coordinating group in Washington chaired by a PSB man and with representatives of State, Defense, CIA and MSA. Director, PSB, to coordinate department and agency support of approved plans.
- (2) In the field, ask State to appoint one Ambassador to perform necessary field coordination within SEA, and suggestion is that Spruance do this with Defense, CIA and MSA assistance. It is my understanding that Defense would be covered by representative appointed by Theater Commander.



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COPY 1 OF 1 COPIES

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Security Information

23 April 1952

MEMORANDUM FOR: Director of Central Intelligence

FROM: Deputy Director (Plans)

SUBJECT: PSB Panel on Psychological Aspects of East-West Trade

1. Attached hereto is a memorandum which we received at noon today from Mr. Tracy Barnes and it requests your comments and advice on the subject matter at the PSB luncheon meeting tomorrow (24 April).

2. Apart from the fact that this question is raised on very short notice, I consider the subject matter to be fully deserving of a review and discussion by the members of the PSB. It appears that the PSB has addressed itself to an important cold war problem and that it did so in a timely manner. The fact that it has failed so far in its attempt to produce the desired result in the form of a coordinated paper providing policy guidance does not appear to have been the fault of the PSB or the PSB staff; rather it is because of a wide divergence of views and opinions on the part of the members of the panel which was convened for the purpose of studying means of making ineffectual Soviet propaganda on East-West trade and attempting to nullify in advance actions which might emerge from the Moscow Economic Conference. Thus the PSB staff has reached an impasse and has real need of the advice and assistance of the members of the Board.

3. One of the questions raised is whether the panel which was convened for the purpose of studying this matter should be continued in existence for the purpose of following and studying the impact of Soviet strategy in the trade field and making an inventory of all possible countermeasures. Even though the timing has been partially missed (the Moscow Economic Conference has come and gone and the Soviet propaganda lines are already set), it is my strong recommendation that the panel be continued in being for the purposes stated and that it be urged by the PSB members to get on with the job as a matter of priority. We can take it for granted that one of the principal themes of Soviet propaganda, as well as one of their principal cold war maneuvers during the balance of this year at least, will be to squeeze all possible advantages out of the Moscow Economic Conference and the atmosphere which this Conference has set. Lacking any definitive lines of counter-propaganda and countermaneuver, our side can be expected to sustain loss after loss. For these reasons, as well as the fact that this is conspicuously the kind of job which PSB can and should do, I recommend that you take a positive position when the question is raised.

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C-FY/OPC

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**TOP SECRET**

APR 28 1952

MEMORANDUM FOR: DEPUTY DIRECTOR (PLANS)

SUBJECT : Meeting on Tuesday, 29 April 1952, in the Office of  
the Director, Psychological Strategy Board, regarding  
Plans [ ] and [ ]

REFERENCE : Memorandum to DCI from the PSB dated 25 April 1952

In accordance with the request of the Director of the Psychological  
Strategy Board to send representatives to a meeting in his office at 2:00 p.m.  
on 29 April with respect to a review of the psychological aspects of plans  
[ ] and [ ] I am designating the following members of CIA/opc  
to be present:

[ ], FE Division  
[ ] PY Division.

[ ]

for KILBOURNE JOHNSTON  
Assistant Director  
for Policy Coordination

Encl.  
Memo to DCI from PSB, TS #68937, #1

68945



PSYCHOLOGICAL STRATEGY BOARD  
WASHINGTON

**TOP SECRET**

April 25, 1952

SECURITY INFORMATION

MEMORANDUM FOR: General Walter Bedell Smith  
Director of Central Intelligence

25X1 In the absence of [redacted], may I confirm the understanding reached at the luncheon meeting of the Psychological Strategy Board Members held on Thursday, April 24 at which the psychological operations aspects and implications of the Korean armistice negotiations were reviewed. Due to the exigencies of this situation, it was decided to establish immediately a panel of the PSB for the purpose of reviewing the psychological aspects of the negotiations, of reviewing the PSB Plans [redacted] and [redacted] in both their covert and overt aspects, of keeping in continuous touch with this situation as it unfolds in the immediate future, and of making recommendations for necessary action.

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Accordingly, will you please designate one or more persons to attend a meeting on Tuesday, 29 April, at 2:00 P.M. in the Office of the Director, Psychological Strategy Board. It will be appreciated if at that time Plans [redacted] and [redacted] have already been reviewed by your designee.

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For the Director:

[redacted]

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Executive Officer

SECURITY INFORMATION

**TOP SECRET**

9 APR 1952

MEMORANDUM FOR: Dr. [redacted]  
Director of Psychological Strategy Board

SUBJECT : Relationship of the Psychological Strategy Board to the Federal Civil Defense Administration activities.

REFERENCE : Memorandum from the Psychological Strategy Board, dated 2 April 1952, subject as above

I have read with interest your exchange with the Federal Civil Defense Administrator and concur in your conclusion that the proposed activities are not appropriate to the mission of the Psychological Strategy Board under its present charter.

I shall be glad to talk this matter over further at our next luncheon.

SIGNED

ALLEN W. DULLES  
Acting Director

O/DCI-[redacted]  
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1 - signer  
1 - official ✓  
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ER - of base

APR 1952

PSYCHOLOGICAL STRATEGY BOARD  
WASHINGTON

APR 2 - 1952

MEMORANDUM FOR: General Walter Bedell Smith  
Director of Central Intelligence

SUBJECT: Relationship of the Psychological Strategy  
Board to the Federal Civil Defense Adminis-  
tration activities.

Governor Caldwell, the Administrator of the Federal Civil Defense Administration, and I have conferred informally, at his request, on certain subjects having to do generally with civil defense problems on which Governor Caldwell believes the Psychological Strategy Board could be helpful. I have written Governor Caldwell, stating that I cannot, without the guidance of the Board, undertake any formal program of cooperation with the Federal Civil Defense Administration without agreement of the Board. A copy of my letter to Governor Caldwell is attached.

There are several immediate areas in which Governor Caldwell believes that the Board can be of direct and substantial assistance to the Federal Civil Defense Administration and to the security program generally. The four major programs on which he would like assistance are the following:

1. The FCDA believes that the American people have developed an unjustified and excessive faith in military protection against foreign attacks. It is believed that steps should be taken to readjust the thinking of the American public to a more realistic attitude based on our actual capability.
2. The FCDA would like to have the PSB set up a committee of the Nation's top experts for defense against psychological warfare to develop plans for the guidance of the state and city civil defense directors on tactical defense against psychological warfare.
3. The FCDA would like to cooperate with the PSB by taking an active part in the staff activities of the Board and also of the Psychological Operations Coordinating Committee.
4. The FCDA

-2-

4. The FCDA has requested guidance and assistance from the PSB in the development of a plan for the prevention of panic in the event of an attack. It has proposed the establishment of a committee of interested agencies under the auspices of the PSB.

As I have told Governor Caldwell, I, as an individual, am greatly interested in, and am supporting his effort at improving the state of readiness of the civil defense agencies. I share his concern and worry over the difficulties his agency has faced. However, I am aware of the position taken by the former director, Mr. Gordon Gray, with respect to the participation of the PSB in matters of domestic concern, and I agree with his position that the PSB cannot insert itself into these matters under its present charter without a serious reorientation of its major purposes. I felt it necessary to tell Governor Caldwell that I would ask the Board for instructions with respect to the specific matters he has raised. I would appreciate receiving the views of the Board at an early informal luncheon meeting.



Director

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Enclosure:

Copy, letter to  
Governor Caldwell.

APR 2 - 1952

The Honorable  
Millard Caldwell, Administrator  
Federal Civil Defense Administration  
Washington 25, D. C.

Dear Governor Caldwell:

Please forgive my delay in replying to your very kind letter of March 7. I have also received Mr. Wadsworth's letter of March 31 proposing the creation of a committee to work on the problem of combatting panic. I should like also to thank you for letting me see a copy of the letter you addressed to Mr. Charles E. Wilson on July 23, 1951, in which you so ably stated your concern over the current state of civil defense and the public attitude toward the entire defense effort.

Personally, I agree with your view that the attitude of the American public is important, particularly as an element of national defense. Whether or not, however, the Psychological Strategy Board is in a position to provide the assistance which you request is a policy matter that can only be decided by the Board itself. I have, therefore, submitted your proposals to each of the Board members with a request for guidance.

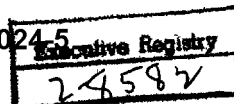
As I told you, the Board's directive since its issuance has been interpreted to limit the Board's activities to the field of foreign affairs. The Board, therefore, may have to conclude that it does not have the necessary authority, regardless of what the personal attitude of the members may be. I will advise you as soon as I have any further information.

Sincerely yours,

Director

CC - Members, PSB.

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30 April 1952

MEMORANDUM FOR: Mr. Tracy Barnes  
Deputy Director  
Psychological Strategy Board

1. I enclose a copy of a letter from Frank R. Barnett, whose activities in the field of psychological warfare have already been brought to your attention.

2. To my mind his idea is not a bad one, although I doubt that this would have been a very propitious time for this experiment. I suggest that you file it away with a tab so that it may be revived at an appropriate time next year.

ALLEN W. DULLES

Enclosure (1)

AWD:leb

Distribution

Orig. - Addressee  
1 cc - DDCI Chrono  
1 cc - PSB File  
1 cc - ER ✓

*sci/0213*

30 April 1952

*File*  
*76*

MEMORANDUM FOR: Chief of Plans, O/DD/P  
FROM: Deputy Director (Plans)  
SUBJECT: The Director's request for comment on Dr. Allen's paper of April 24.

25X1  
I agree generally with the [ ] memorandum, but there are parts of it which I believe should be modified and in some cases strengthened if the PSB is to play a leading role. For a better understanding of my basic position concerning this matter, please see the paragraph of my draft paper which is referred to as "Operation Lifeline" -- concerning the Whales -- i. e. the big ones. The early identification of and decisions on broad lines of policy and action with respect to the major developments in the psychological field -- of which there are not normally more than a half-dozen a year -- is a job which the PSB can do and should do. See also my brief marginal note on sub-paragraph b., Page 2. We have not yet passed completely over to the offensive -- the enemy still retains the initiative in many quarters -- so that defensive and disruptive actions are at this moment of almost equal importance as offensive actions of our own. The procedures should be studied more carefully and more deliberately, but in general I see no objection to those outlined in the paragraph beginning at the foot of Page 1.

*FGW/RT*  
FRANK G. WISNER

*Info extracted and sent to DCI  
on a blue slip, 1 May 52.*

FGW/bjm

Orig. - addressee  
1 cc - ER  
1 cc - DD/P chrono

Encl:

Memo to DCI fr Dir, PSB dtd 24 Apr. w/att:  
"Action Regarding Current Cold War Tactical Measures"(ER 2-8470), same date.

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E R - It is unknown what happened to orig of both memos. DCI had them on 24 Apr for PSB luncheon but weren't on his desk later in day.



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REMARKS:

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DC/Py suggested before this to you to recommend members on this panel

Adm MEC.

B-39

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